Received: March 23, 2018
IURC 30-Day Filing No.: 50122
Indiana Utility Regulatory Commission

March 23, 2018

Mary Becerra
Secretary of the Commission
Indiana Utility Regulatory Commission
101 West Washington Street, Suite 1500 E
Indianapolis, Indiana 46204
mbecerra@urc.in.gov
Electronically delivered

RE: NIPSCO's 30-day filing on February 28, 2018, IURC 30-Day Filing No. 50122.

Objection to NIPSCO's 30-Day Filing on behalf of
Citizens Action Coalition and the Environmental Law & Policy Center

Pursuant to the guidelines for submitting an objection to a 30-day filing as outlined on the Commission's website at https://www.in.gov/iurc/2519.htm, Citizens Action Coalition ("CAC") and the Environmental Law & Policy Center ("ELPC") (collectively "Objectors") respectfully submit this Objection to the 30-day filing made by NIPSCO on February 28, 2018, IURC 30-Day Filing No. 50122. NIPSCO's 30-day filing is attached as Exhibit A.

NIPSCO's 30-day filing concerns its obligations under the Public Utility Regulatory Policies Act ("PURPA"), including PURPA's implementing regulations and Indiana's PURPA implementation. *See generally* 18 CFR § 292.101, *et seq*.; Burns Ind. Code Ann. § 8-1-2.4-1, *et seq*.; 170 IAC 4-4.1-1 *et seq*. PURPA requires electric utilities to purchase energy and capacity from qualifying facilities ("QFs"), and the rate for these mandatory purchases are based on the utility's avoided costs. *See* 18 C.F.R. §§ 292.303, 292.304.

An objection is valid if it alleges that a 30-day filing is in violation of applicable law or the filing is incomplete. *See* 170 IAC 1-6-7(b)(2)(A)(i), (b)(2)(C)(i). NIPSCO's 30-day filing violates applicable law by failing to include a standard contract as required by 170 IAC 4-4.1-11 and by failing to include avoided cost information required by 18 C.F.R. § 292.302(b). The failure to provide this legally required information violates applicable law and constitutes an incomplete filing.

NIPSCO's failure to provide a long-term standard contract with a fixed-rate inhibits development of QFs in Indiana and violates the state's policy to "encourage the development of alternate energy production facilities." Burns Ind. Code Ann. § 8-1-2.4-1. Increased QF development would introduce additional competition into Indiana's market by enabling private QF development at the utility's own avoided costs. Thus, PURPA is not a "subsidy" program for renewable energy. Instead, it is a cost-neutral policy that protects ratepayers by creating downward pressure on utility costs.

ELPC and CAC respectfully request that the Commission deny NIPSCO's 30-day filing and open a statewide docket to investigate and establish modernized PURPA implementation methodologies that will enable Indiana utilities to comply with state and federal law.

BACKGROUND ON OBJECTORS

CAC is a 501(c)(4) membership organization of organizations and more than 40,000 individual members and contributors throughout the State of Indiana. CAC initiates, facilitates, and coordinates citizen action directed at improving the quality of life of all Indiana residents through principled advocacy of public policies that, among other things, promote government accountability and protect consumers and ratepayers. CAC and its members have an interest in promoting the development and availability of renewable energy through implementation of PURPA and are likely to suffer an injury if NIPSCO does not comply with its obligations under PURPA.

ELPC is a 501(c)(3) public interest organization that works to achieve cleaner air and water, promote renewable energy and energy efficiency resources, and preserve natural resources in Indiana and the Midwest. ELPC has an office located in Indianapolis and has members throughout the state of Indiana and the Midwest. On behalf of itself and its members, ELPC played a significant role in recent proceedings in Michigan, Iowa, and Minnesota where those states updated their implementation of PURPA. ELPC and its members have an interest in promoting the development and availability of renewable energy through implementation of PURPA and are likely to suffer an injury if NIPSCO does not comply with its obligations under PURPA.

BACKGROUND ON PURPA

Congress enacted PURPA to "encourage the development of cogeneration and small power production facilities." *Am. Paper Inst. v. Am. Elec. Power Serv. Corp.*, 461 U.S. 402, 405 (1983). PURPA combats an inefficient preference for utility self-generation and removes barriers for non-utility generation where such generation is cost-effective, thereby increasing competition and creating a downward pressure on power generation costs. *See In re Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities*, 75 F.E.R.C. P61,080, at § III.C (1996) ("Congress recognized that the rising costs and decreasing efficiencies of utility-owned generating facilities were increasing rates and harming the economy as a whole."); *see also FERC v. Mississippi*, 456 U.S. 742, 750-751 (1982).

Accordingly, Indiana's PURPA policy implementation is "to encourage the development of alternate energy production facilities, cogeneration facilities, and small hydro facilities in order to conserve our finite and expensive energy resources and to provide for their most efficient utilization." Burns Ind. Code Ann. § 8-1-2.4-1. Indiana's implementation contains positive requirements that could encourage QF development, such as requiring long-term contracts and the establishment of standard contracts. *See* Burns Ind. Code Ann. § 8-1-2.4-4(a); 170 IAC 4-4.1-11. However, as will be shown below, utilities in Indiana are not complying with such requirements, and therefore Indiana utilities are falling short of the state's explicit policy to "encourage the development of alternate energy production facilities."

PURPA is the only federal law that requires competition in states that have not restructured their electricity markets. PURPA accomplishes this through its mandatory purchase obligation that ties the rates for purchase to a utility's avoided cost. Tying rates to avoided costs

(1) ensures no subsidization occurs, (2) protects ratepayer interests, and (3) provides ratepayers the benefit of low-cost renewable generation.

State regulators and stakeholders are increasingly focused on PURPA in light of the dramatic reduction in renewable energy development costs. With the growing relevance of PURPA, other states are updating their implementation for the first time in over two decades. For instance, the Michigan Public Service Commission ("MPSC") has been conducting a process to update its PURPA implementation. Beginning in late 2015, the MPSC ordered the creation of a working group to investigate the state's implementation of PURPA and invited all utilities, developers, and other interested stakeholders to participate.[1]

In 2016, the investigation culminated in the MPSC's Staff publishing a report detailing the state's implementation with recommendations on how the MPSC could modernize its PURPA implementation.[2] The MPSC then instituted dockets for each regulated utility to modernize its PURPA implementation and to determine, among other things, (1) the appropriate avoided cost methodology, (2) adequate term length for standard contracts, and (3) adequate procedures to encourage development of QFs.[3] The MPSC ordered Michigan utilities to offer long-term contracts, and concluded that QF development could benefit ratepayers in several ways, such as offsetting or deferring the construction of large utility power plants. As the Commission recognized, "there is significant ratepayer value in deferring large, capacity additions through contracting with QFs for incremental capacity."[4]

ELPC played a key role in Michigan's update as an active participant in the investigation and as an intervenor in the subsequent dockets opened for each utility. ELPC has also participated as an intervenor in Iowa's 2017 update to its PURPA implementation[5] and as intervenors in an ongoing complaint case between a QF and utility in Minnesota, which could result in Minnesota updating its PURPA implementation for the first time in over a decade.[6] ELPC and CAC respectfully request that the Commission deny NIPSCO's 30-day filing and follow the lead of other Midwestern states to ensure that Indiana utilities are in full compliance with state and federal law.

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[1] *See generally In re, on the Commission's own motion, commencing an investigation into the continuing appropriateness of the Commission's current regulatory implementation of the Public Utility Regulatory Policies Act of 1978*, Case No. U-17973, Order Commencing Investigation (Oct. 27, 2015) *available at* https://perma.cc/4ZVM-XFVD.

[2] *Id*., PURPA TECHNICAL ADVISORY COMMITTEE, Report on the Continued Appropriateness of the Commission's Implementation of PURPA (April 8, 2016) *available at* https://perma.cc/7JFL-HWEK.

[3] *See generally In re Consumers Energy Co., et al.*, Case Nos. U-18089, U-18090, U-18091, U-18092, U-18093, U-18094, U-18095, Order (May 3, 2016) *available at* https://perma.cc/B739-R7B5.

[4] *In re Consumers Energy Co*., Case No. U-18090, Order at 18, (Mich. Pub. Serv. Comm'n May 31, 2017) *available at* https://perma.cc/4K2Z-5WWW.

[5] *See generally In re Interstate Power and Light Co*., Docket No. TF-2016-0290 (Iowa Util. Bd.); *In re MidAmerican Energy Co*., Docket No. TF-2016-0294 (Iowa Util. Bd.).

[6] *See generally Red Lake Falls Community Hybrid, LLC v. Otter Tail Power Co*., Docket No. 16-1021 (Minn. Pub. Util. Comm'n).

OBJECTIONS

OBJECTION ONE: NIPSCO's 30-Day Filing Fails to Contain a Long-Term Contract and Contract Term Length, Both of Which are Required by Indiana Law.

There are three requirements applicable to the standard contracts required in Indiana. First, Indiana law requires electric utilities to enter into "long term" contracts for the purchase of energy and capacity by PURPA QFs. Burns Ind. Code Ann. § 8-1-2.4-4(a). Second, Indiana's PURPA regulations require electric utilities to file a standard contract that must include "[t]he term of the contract." 170 IAC 4-4.1-11(c)(1). Third, federal law requires that long-term contracts include the ability to obtain fixed rates. 18 C.F.R. § 292.304(d)(2)(ii); *see also Winding Creek Solar LLC v. Peevey*, No. 13-04934, 2017 WL 6040012, at *9 (N.D. Cal. 2017) (finding that a standard contract violates PURPA if it fails to contain an option to obtain fixed rates). "[S]tate regulatory authorities cannot preclude a QF — even an intermittent QF — from obtaining a legally enforceable obligation with a forecasted avoided cost rate." *Windham Solar LLC and Allco Finance Limited*, 157 F.E.R.C. P61,134, at ¶ 6 (2016).

NIPSCO's 30-day filing fails to contain a standard contract, as required by 170 IAC 4-4.1-11. In contrast, Duke Energy Indiana has filed its standard contract every year since 2013.[7] In addition, Counsel for Objectors used reasonable efforts to locate NIPSCO's standard contract but was unsuccessful. Counsel for Objectors:

(1) Searched on NIPSCO's website, including through NIPSCO's rate book published online, but was unable to find the standard contract on NIPSCO's website;
(2) Reviewed all of NIPSCO's 30-day PURPA filings dating back to 2009, which the Commission archived on its website,[8] but NIPSCO has not filed a standard contract in any of its 30-day filing dating back to 2009; and
(3) Contacted NIPSCO through the contact information on its 30-day filing, but was informed by a representative that there are no standard contracts for their PURPA tariff.

The lack of a long-term, fixed rate contract has discouraged developers from pursuing projects in Indiana. *See* Affidavit of Jim Straeter at ¶ 2. Not only does NIPSCO apparently not have a standard contract with an option for long-term, fixed-rates, but it is unclear whether they are willing to offer contracts with rates fixed for periods longer than one-year. *See* Affidavit of Sam Kliewer at ¶ 2. NIPSCO's currently effective PURPA tariff references a contract but does not indicate what term lengths are offered under the tariff or contract, other than stating that it must be at least three years, see Exhibit B at 4, but there is no indication of whether the rate is fixed over the term or whether longer term contracts are available.

The lack of a legally required, long-term contract with fixed rates in NIPSCO's 30-day filing is important because the lack of long-term, fixed-rate contracts both violates the specific requirements of Indiana law *and* inhibits the development of QFs across Indiana, thus failing to promote Indiana's policy of encouraging QF development. *See* Burns Ind. Code Ann. § 8-1-2.4-1. The Federal Energy Regulatory Commission ("FERC"), the agency delegated authority to

[7] *See* IURC 30-Day Filing Nos. 50119 (2018), 50038 (2017), 3429 (2016), 3319 (2015), 3225 (2014), 3141 (2013).
[8] 30-day filings from 2009 to 2018 can be found at: https://www.in.gov/iurc/2514.htm

promulgate federal regulations and enforce PURPA, recognized that long-term contracts with QFs must be "long enough to allow QFs reasonable opportunities to attract capital from potential investors." *Windham Solar LLC and Allco Finance Limited*, 157 F.E.R.C. P61,134, at ¶ 8.

PURPA QFs cannot develop in Indiana without long-term, fixed-rate contracts, because such contracts are required to obtain the financing necessary to develop such projects. *See* Affidavit of Jim Straeter at ¶ 3; Affidavit of Sam Kliewer at ¶ 3.

Other states recognize the link between the availability of long-term, fixed-rate contracts and the encouragement of QF development. For instance, during Michigan's recent update to its PURPA implementation, the MPSC required utilities to offer 20-year standard contracts because it "found persuasive the claim that longer contracts would benefit both QFs and the [utility] by allowing better access to investment and financing. . ."[9] The Oregon Public Utility Commission ("OPUC"), in setting standard contract terms at 20 years, concluded that such a term length was necessary "to ensure the terms of the standard contract facilitate appropriate financing for a QF project."[10] The Wyoming Public Service Commission concluded that long-term standard contracts are necessary for financing and that 20-year contract terms are "adequate for obtaining a QF project financing."[11]

Short-term contracts do not encourage QF development because short-term contracts make financing QFs prohibitively difficult. *See* Affidavit of Jim Straeter at ¶ 3; Affidavit of Sam Kliewer at ¶ 3.To illustrate, compare the number of PacifiCorp's QF contracts in Washington, which has 5-year terms[12], to other states in which PacifiCorp operates. In Oregon and Wyoming where 20-year contract terms are required, PacifiCorp has **twenty-eight QF contracts** and **eight QF contracts**, respectively.[13] In Utah where 15-year contract terms are required, PacifiCorp has **twenty-six QF contracts**.[14] In contrast, the company has **only three QF contracts in Washington,** which again only allows for 5-year terms in its standard contract.[15]

Long-term contracts are vitally important to promoting QF development and furthering the policy goals of PURPA. NIPSCO's failure to include a standard contract renders its 30-day filing in violation of applicable Indiana law requiring long-term contracts and a defined term length. Burns Ind. Code Ann. § 8-1-2.4-4(a); 170 IAC 4-4.1-11(c)(1).

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[9] *In re Consumers Energy Co*., Case No. U-18090, Order at 22-23, (Mich. Pub. Serv. Comm'n May 31, 2017) *available at* https://perma.cc/4K2Z-5WWW.
[10] *In re Investigation Relating to Electric Utility Purchases from QFs*, OPUC Docket No. UM 1129, Order No. 05-584 at 19 (Ore. Pub. Util. Comm'n May 13, 2005) *available at* https://perma.cc/C5YX-R3GG.
In 2014, the OPUC reaffirmed the 20-year standard contract term length. *In re Investigation into QF Contracting*, OPUC Docket No. UM 1610, Order No. 14-058 (Feb. 24, 2014) *available at* https://perma.cc/HL76-YJUG.
[11] *In re the Application of RMP to Implement a Permanent Avoided Cost Methodology for Customers that do Not Qualify for Tariff Schedule 37 – Avoided Cost Purchases from QFs*, WPSC Docket No. 20000-388-EA-11, Record No. 12750, Order No. 20416 at 19 (Wyo. Pub. Serv. Comm'n Nov. 4, 2011) *available at* https://perma.cc/EC8Q-FE4L.
[12] See PacifiCorp, dba Pacific Power & Light Co., Schedule 37, Sheet No. 37.2 *available at* https://perma.cc/97YD-LWKX.
[13] *See* PacifiCorp 2017 Integrated Resource Plan at 78-79, *available at* https://perma.cc/2JVR-U7SQ.
[14] *Id*.
[15] *Id.*

<u>OBJECTION TWO</u>: NIPSCO's 30-Day Filing Fails to Contain Avoided Cost Information Required by 18 C.F.R. § 292.302(b).

Federal regulations require electric utilities to biennially file three categories of avoided cost information with the Commission and utilities must maintain this information for "public inspection." 18 C.F.R. 292.302(b). <u>First</u>, utilities are required to submit 5-year estimates of their avoided energy costs. § 292.302(b)(1). <u>Second</u>, utilities are required to submit planned capacity additions over the next 10 years. § 292.302(b)(2). <u>Third</u>, utilities are required to submit the cost estimates for such capacity additions. § 292.302(b)(3).

NIPSCO's 30-day filing at issue in this Objection does not contain the avoided cost information required by 18 C.F.R. § 292.302, and neither does NIPSCO's 2017 30-day filing, IURC 30-Day Filing No. 50035. In contrast, Indiana Michigan Power Company has filed the information required by 18 C.F.R. § 292.302(b)(1) in the last two years[16]—but they too have not filed the information required by 292.302(b)(2) or (b)(3) in compliance with the biennial requirement.

In addition, Objectors are not aware of NIPSCO filing this required avoided cost information with the Commission in any other docket. Therefore, NIPSCO's 30-day filing at issue in this docket fails to comply with applicable federal law by not containing the required biennial avoided cost information.

CONCLUSION

Objectors respectfully request the Commission:

(1) Find that this Objection complies with 170 IAC 1-6-7, and that NIPSCO's 30-day filing, IURC 30-Day Filing No. 50122, not be presented to the full Commission for consideration under the 30-day administrative filing rule until these deficiencies are rectified;

(2) Require NIPSCO to file a standard contract with a defined term of sufficient length and the ability to fix rates over the term of the contract;

(3) Open a statewide docket to investigate PURPA implementation in Indiana. This investigation could examine and establish sufficient standard contract term lengths, whether the current avoided cost methodology adequately represents NIPSCO's avoided costs, and any other issues the Commission deems desirable.

(signatures below)

[16] *See* IURC 30-Day Filing Nos. 50125 (2018) and 50037 (2017).

Dated March 23, 2018

Respectfully submitted,

Jennifer A. Washburn

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Received: February 28, 2018
IURC 30-Day Filing No.: 50122
Indiana Utility Regulatory Commission

NIPSCO

February 28, 2018

<u>*Via Electronic Filing – 30 Day Filings - Electric*</u>
Mary M. Becerra
Secretary to the Commission
Indiana Utility Regulatory Commission
101 West Washington Street
Suite 1500 East
Indianapolis, Indiana 46204

RE: NIPSCO 30 Day Filing Pursuant to 170 IAC 1-6-1 et seq.

Dear Ms. Becerra:

In accordance with 170 IAC 1-6-1, enclosed please find NIPSCO's (1) Second Revised Sheet No. 137 and (2) Second Revised Sheet No. 138 – to Rider 778 – Purchases from Cogeneration and Small Power Production Facilities. The referenced filing consists of NIPSCO's proposed revisions to update its energy and capacity rate schedule for purchases from cogeneration and small power production facilities pursuant to 170 IAC 4-4.1 *et seq*. The revisions are shown in the attached redlined tariff sheet. NIPSCO notes that although NIPSCO's most recently submitted IRP in 2016 identifies a Combined Cycle Gas Turbine ("CCGT") as NIPSCO's avoidable or deferrable unit, NIPSCO has based the rates for capacity purchases on the cost estimates for a Combustion Turbine ("CT") by operation of 170 IAC 4-4.1-9(c). The revisions impact any cogeneration and/or small power production facilities that qualify under the IURC Rules (170 IAC 4-4.1 *et seq.)* ("Qualifying Facilities") and that have executed a contract with NIPSCO setting forth all terms and conditions governing the purchase of electric power from the Qualifying Facility.

The proposed revisions are intended to revise the purchase rates applicable to participating customers under Rider 778. 170 IAC 1-6-3(6) states that a filing for which the Commission has already approved or accepted the procedure for the change is an allowable filing under the referenced procedures. NIPSCO is filing this tariff revision pursuant to 170 IAC 4-4.1, the Cogeneration and Alternate Energy Production Facilities Rule. Specifically, Rule 10 requires that on or before February 28 of each year a generating electric utility shall file with the Commission a standard offer for purchase of energy and capacity at rates derived from the appropriate sections of this rule. Thus, this filing is an allowable request under 170 IAC 1-6-3. This filing does not require confidential treatment nor does it seek any other relief identified in 170 IAC 1-6-4, so it is not prohibited under the Commission's Rule.

In accordance with 170 IAC 1-6-5(2), contact information for the utility regarding this filing is:

Timothy R. Caister
Vice President, Regulatory Policy
Northern Indiana Public Service Company
150 West Market Street, Suite 600
Indianapolis, Indiana 46204
317-684-4908
317-684-4918 (Fax)
tcaister@nisource.com

In accordance with 170 IAC 1-6-5(3), the proposed tariff sheet is attached. In accordance with 170 IAC 1-6-5(4), the work papers supporting this filing are attached.

In accordance with 170 IAC 1-6-5(5), I have verified this letter as to these representations in compliance with 170 IAC 1-6-5(5). A copy of this filing is being provided via electronic mail to the Indiana Office of Utility Consumer Counselor ("OUCC").

In accordance with 170 IAC 1-6-6, NIPSCO has posted notice of this change in its local customer service office at 3229 Broadway, Gary, Indiana and has placed the notice on its website under pending tariffs (see http://www.nipsco.com/About-us/Rates-Tariffs/30-Day-Filings.aspx). A copy of the notice to be published in a newspaper of general circulation that has a circulation encompassing the highest number of NIPSCO customers affected by this filing is attached hereto. A copy of the proof of publication will be provided immediately upon its receipt.

Please let me know if the Commission Staff has any questions or concerns about this submission.

Sincerely,

Timothy R. Caister
Vice President, Regulatory Policy

Encl.
cc (w/ encl. – via email transmission)
William Fine, Indiana Office of Utility Consumer Counselor (wfine@oucc.in.gov, infomgt@oucc.in.gov)

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

TO WHOM AVAILABLE

As shown on Appendix A, this Rider is available to Cogeneration Facilities and/or Small Power Production Facilities which qualify under the IURC Rules (170 IAC 4-4.1-1 *et seq.*), as well as to Private Generation Projects as defined in Ind. Code § 8-1-2.4-2(g) (herein "Qualifying Facility"). A contract shall be required between the Company and each Qualifying Facility, setting forth all terms and conditions governing the purchase of electric power from the Qualifying Facility. The Qualifying Facility must be located adjacent to existing Company electric facilities having capacity sufficient to meet the Customer's requirements. Service under this Rider is subject to the conditions set forth in this Rider and the Company Rules.

INTERCONNECTION STANDARDS

The Qualifying Facility shall comply with the interconnection standards as defined in Rider 779 Interconnection Standards Rider.

PURCHASE RATES

Company will purchase Energy from the Qualifying Facility of Customer in accordance with the conditions and limitations of this Rider and the applicable contract at the following rate:

Rate for Purchase of Energy	Current Rate per kWh
Summer Period (May - Sept.)	
On-Peak Hours (1)	\$0.03483
Off-Peak Hours (2)(5)	\$0.02303
Winter Period (Oct. - Apr.)	
On-Peak Hours (3)	\$0.03434
Off-Peak Hours (4)(5)	\$0.02772

(1) Monday through Saturday 8 a.m. C.S.T. to 11 p.m. C.S.T.

(2) Monday through Saturday 11 p.m. C.S.T. to midnight C.S.T. and midnight C.S.T. to 8 a.m. C.S.T. and all day Sunday.

(3) Monday through Friday 8 a.m. C.S.T. to 11 p.m. C.S.T.

(4) Monday through Friday 11 p.m. C.S.T. to midnight C.S.T. and midnight C.S.T. to 8 a.m. C.S.T. and all day Saturday and Sunday.

(5) The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will be included in the Off-Peak Hours.

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

PURCHASE RATES (Continued)

For those Qualifying Facilities for whom metering not capable of recognizing different rating periods is installed:

	Current Rate per kWh
Summer Period	$0.02920
Winter Period	$0.03061

Energy metered during any month more than half of which is in any month of May to September, inclusive, shall be calculated under the Summer Period rates listed above. Energy credited during other periods of the year shall be calculated under the Winter Period rates listed above.

Rate for Purchase of Capacity Component

The Company will purchase capacity supplied from the Qualifying Facility of Customer in accordance with the conditions and limitations of this Rider and the applicable contract at the following rate:

$ per kW per month of contracted capacity $8.86 per kW per month.

The contracted capacity shall be the amount of capacity expressed in terms of kWs that Customer guarantees the Qualifying Facility will supply to Company as provided in the contract for such service.

The monthly capacity component shall be adjusted by the following factor:

$$F = \frac{E_p}{K(T_P)}$$

Where:

F = Capacity component adjustment factor.
E_P = kWhs delivered to the Company during the On-Peak Hours defined as:
Summer Period - Monday through Saturday 8 a.m. C.S.T. to 11 p.m. C.S.T.
Winter Period - Monday through Friday 8 a.m. C.S.T. to 11 p.m. C.S.T.
The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will not be included in the On-Peak Hours.
K = kWs of capacity the Qualifying Facility contracts to provide.
T_P = Number of On-Peak Hours.

NORTHERN INDIANA PUBLIC SERVICE COMPANY **Second ~~First~~ Revised Sheet No. 137**
IURC Electric Service Tariff **Superseding**
Original Volume No. 13 **First Revised ~~Original~~ Sheet No. 137**
Cancelling All Previously Approved Tariffs

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

Sheet No. 1 of 4

TO WHOM AVAILABLE

As shown on Appendix A, this Rider is available to Cogeneration Facilities and/or Small Power Production Facilities which qualify under the IURC Rules (170 IAC 4-4.1-1 *et seq.*), as well as to Private Generation Projects as defined in Ind. Code § 8-1-2.4-2(g) (herein "Qualifying Facility"). A contract shall be required between the Company and each Qualifying Facility, setting forth all terms and conditions governing the purchase of electric power from the Qualifying Facility. The Qualifying Facility must be located adjacent to existing Company electric facilities having capacity sufficient to meet the Customer's requirements. Service under this Rider is subject to the conditions set forth in this Rider and the Company Rules.

INTERCONNECTION STANDARDS

The Qualifying Facility shall comply with the interconnection standards as defined in Rider 779 Interconnection Standards Rider.

PURCHASE RATES

Company will purchase Energy from the Qualifying Facility of Customer in accordance with the conditions and limitations of this Rider and the applicable contract at the following rate:

Rate for Purchase of Energy	Current Rate per kWh
Summer Period (May - Sept.)	
On-Peak Hours (1)	$0.03483~~3764~~
Off-Peak Hours (2)(5)	$0.02303~~2352~~
Winter Period (Oct. - Apr.)	
On-Peak Hours (3)	$0.03434~~3702~~
Off-Peak Hours (4)(5)	$0.02772~~2871~~

(1) Monday through Saturday 8 a.m. C.S.T. to 11 p.m. C.S.T.

(2) Monday through Saturday 11 p.m. C.S.T. to midnight C.S.T. and midnight C.S.T. to 8 a.m. C.S.T. and all day Sunday.

(3) Monday through Friday 8 a.m. C.S.T. to 11 p.m. C.S.T.

(4) Monday through Friday 11 p.m. C.S.T. to midnight C.S.T. and midnight C.S.T. to 8 a.m. C.S.T. and all day Saturday and Sunday.

(5) The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will be included in the Off-Peak Hours.

Issued Date **Effective Date**
__/__/2018~~4/5/2017~~ **__/__/2018~~4/5/2017~~**

NIPSCO

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

PURCHASE RATES (Continued)

For those Qualifying Facilities for whom metering not capable of recognizing different rating periods is installed:

	Current Rate per kWh
Summer Period	$0.029203~~096~~
Winter Period	$0.030613~~233~~

Energy metered during any month more than half of which is in any month of May to September, inclusive, shall be calculated under the Summer Period rates listed above. Energy credited during other periods of the year shall be calculated under the Winter Period rates listed above.

Rate for Purchase of Capacity Component

The Company will purchase capacity supplied from the Qualifying Facility of Customer in accordance with the conditions and limitations of this Rider and the applicable contract at the following rate:

$ per kW per month of contracted capacity $8.86~~10.31~~ per kW per month.

The contracted capacity shall be the amount of capacity expressed in terms of kWs that Customer guarantees the Qualifying Facility will supply to Company as provided in the contract for such service.

The monthly capacity component shall be adjusted by the following factor:

$$F = \frac{E_p}{K(T_p)}$$

Where:

F = Capacity component adjustment factor.
E_P = kWhs delivered to the Company during the On-Peak Hours defined as:
Summer Period - Monday through Saturday 8 a.m. C.S.T. to 11 p.m. C.S.T.
Winter Period - Monday through Friday 8 a.m. C.S.T. to 11 p.m. C.S.T.
The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will not be included in the On-Peak Hours.
K = kWs of capacity the Qualifying Facility contracts to provide.
T_P = Number of On-Peak Hours.

Avoided Cost 1218.xls
IURC Filing Summary Page

NORTHERN INDIANA PUBLIC SERVICE COMPANY
Rate Schedule For Purchases From Cogeneration And Small Power Production Facilities

Revised Sheet No. 138
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Purchase Rates (Continued)	**YEAR 2018** **Rate Per kWh**	
Summer Period (May - Sept.)		
On-Peak (1)	**3.483**	cents
Off-Peak (2) (5)	**2.303**	cents
Winter Period (Oct. - Apr.)		
On-Peak (3)	**3.434**	cents
Off-Peak (4) (5)	**2.772**	cents

(1) Monday - Saturday, 8 AM - 11 PM
(2) Monday - Saturday, 11 PM - midnight & midnight - 8 AM & all day Sunday
(3) Monday - Friday, 8 AM - 11 PM
(4) Monday - Friday, 11 PM - midnight & midnight - 8 AM & all day Saturday & Sunday
(5) 24 hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day & Christmas Day will be included in the Off-Peak period.

B. For those qualifying facilities for whom metering not capable of recognizing different rating periods is installed:

	YEAR 2018 **Rate Per kWh**	
Summer Period	**2.920**	cents
Winter Period	**3.061**	cents

YEAR 2018
Capacity Component
$ 8.86 per KW per month

NORTHERN INDIANA PUBLIC SERVICE COMPANY

SUMMARY OF AVOIDED ENERGY COSTS
YEAR 2018

Period	Avoided Cost Without Start-Up & Econ. (mils/kWh)	Avoided Cost With Start-Up & Econ. (mils/kWh)	Avoided Cost Adjusted For Losses (mils/kWh)
Summer			
Peak Period	**34.01**	**34.01**	**34.83**
Off-Peak Period	**22.49**	**22.49**	**23.03**
Average	**28.52**	**28.52**	**29.20**
Winter			
Peak Period	**33.54**	**33.54**	**34.34**
Off-Peak Period	**27.07**	**27.07**	**27.72**
Average	**29.89**	**29.89**	**30.61**
Annual Average	**29.32**	**29.32**	**30.02**

The avoided costs have been adjusted for losses of 1/2 of: **4.81%**
The above costs are based on estimated **YEAR 2018** utilizing **YEAR 2018** fuel budget.

NORTHERN INDIANA PUBLIC SERVICE COMPANY

Calculation of Unadjusted Monthly Capacity Payment Per KW
December 2017 Capital Structure - End of Year Cost

t **Year**	D **(Col. 1)**	A **(Col. 2)**	B **(Col. 3)**	A/B **(Col. 4)**	E **(Col. 5)**	D*V*A/B*E **(Col. 6)**	O*F **(Col. 7)**	C **(Col. 8)**
1	1.09026	0.054804	0.815646	0.067191235	1.000000	92.95746	10.82	$ 8.86

PV of carrying costs =	D =	1.09026
Investment =	V =	$ 1,269
Life of Plant =	n =	30
Plant Cost Inflation =	ip =	0.021172506
O & M Inflation =	io =	0.021172506
After tax Rate of Return =	r =	0.080382042
O & M in first year =	O =	$ 11.45
Average Annual Losses =	l =	4.81%
Year of Contract =	t =	1 to 25

Column 2 = A = 1 - $\left[\frac{(1 + ip)}{(1 + r)}\right]$

Column 3 = B = 1 - $\left[\frac{(1 + ip)}{(1 + r)}\right]^{n}$

Column 3 = B = 1 - $(1 + ip)^{(t - 1)}$

C = Unadjusted Monthly Capacity Payment per KW

$$= \frac{(1/12) * ((D * V (A/B) * E) + (O * F)}{1- (l/2)}$$

$$F = \left[\frac{(1 + ip)}{(1 + r)}\right]^{(t - 1)} * (1 + io)$$

Verified Statement of Northern Indiana Public Service Company
Concerning Notification of Customers Affected by February 28, 2018 30-Day Filing

Northern Indiana Public Service Company complied with the Notice Requirements under 170 IAC 1-6-6 in the following manner:

- The attached notice was posted in a public place at NIPSCO's customer service office at 3229 Broadway, Gary, Indiana;

- The same notice was posted on NIPSCO's website under 30-Day Filings (see http://www.nipsco.com/About-us/Rates-Tariffs/30-Day-Filings.aspx).

- A legal notice was published in the Post Tribune, a newspaper of general circulation that has a circulation encompassing the highest number of the utility's customers affected by the filing on February 25, 2018. A copy of the Publisher's Affidavit will be submitted promptly upon receipt; and

I affirm under penalties for perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Dated this 28th day of February, 2018.

Timothy R. Caister
Vice President, Regulatory Policy

NOTICE OF 30-DAY FILING

On or about February 28, 2018, Northern Indiana Public Service Company ("NIPSCO") will submit to the Indiana Utility Regulatory Commission for approval under its 30-Day Filing procedures, 170 IAC 1-6-1, *et seq*. a revised Rider 778 – Purchases from Cogeneration and Small Power Production Facilities ("Cogen Rider"). The referenced filing will consist of NIPSCO's proposed revisions to update its energy and capacity rate schedule for purchases from cogeneration and small power production facilities. A decision on the 30-Day Filing is anticipated at least thirty days after the February 28, 2018 filing date. Any objection to the filing should be directed to (a) the Secretary of the Indiana Utility Regulatory Commission, PNC Center, 101 West Washington Street, Suite 1500 East, Indianapolis, IN 46204 or (b) the Indiana Office of Utility Consumer Counselor, PNC Center, 101 West Washington Street, Suite 1500 South, Indianapolis, IN 46204.

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

TO WHOM AVAILABLE

As shown on Appendix A, this Rider is available to Cogeneration Facilities and/or Small Power Production Facilities which qualify under the IURC Rules (170 IAC 4-4.1-1 *et seq.*), as well as to Private Generation Projects as defined in Ind. Code § 8-1-2.4-2(g) (herein "Qualifying Facility"). A contract shall be required between the Company and each Qualifying Facility, setting forth all terms and conditions governing the purchase of electric power from the Qualifying Facility. The Qualifying Facility must be located adjacent to existing Company electric facilities having capacity sufficient to meet the Customer's requirements. Service under this Rider is subject to the conditions set forth in this Rider and the Company Rules.

INTERCONNECTION STANDARDS

The Qualifying Facility shall comply with the interconnection standards as defined in Rider 779 Interconnection Standards Rider.

PURCHASE RATES

Company will purchase Energy from the Qualifying Facility of Customer in accordance with the conditions and limitations of this Rider and the applicable contract at the following rate:

Rate for Purchase of Energy	Current Rate per kWh
Summer Period (May - Sept.)	
On-Peak Hours (1)	$0.03764
Off-Peak Hours (2)(5)	$0.02352
Winter Period (Oct. - Apr.)	
On-Peak Hours (3)	$0.03702
Off-Peak Hours (4)(5)	$0.02871

(1) Monday through Saturday 8 a.m. C.S.T. to 11 p.m. C.S.T.
(2) Monday through Saturday 11 p.m. C.S.T. to midnight C.S.T. and midnight C.S.T. to 8 a.m. C.S.T. and all day Sunday.
(3) Monday through Friday 8 a.m. C.S.T. to 11 p.m. C.S.T.
(4) Monday through Friday 11 p.m. C.S.T. to midnight C.S.T. and midnight C.S.T. to 8 a.m. C.S.T. and all day Saturday and Sunday.
(5) The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will be included in the Off-Peak Hours.

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

PURCHASE RATES (Continued)

For those Qualifying Facilities for whom metering not capable of recognizing different rating periods is installed:

	Current Rate per kWh
Summer Period	$0.03096
Winter Period	$0.03233

Energy metered during any month more than half of which is in any month of May to September, inclusive, shall be calculated under the Summer Period rates listed above. Energy credited during other periods of the year shall be calculated under the Winter Period rates listed above.

Rate for Purchase of Capacity Component

The Company will purchase capacity supplied from the Qualifying Facility of Customer in accordance with the conditions and limitations of this Rider and the applicable contract at the following rate:

$ per kW per month of contracted capacity $10.31 per kW per month.

The contracted capacity shall be the amount of capacity expressed in terms of kWs that Customer guarantees the Qualifying Facility will supply to Company as provided in the contract for such service.

The monthly capacity component shall be adjusted by the following factor:

$$F = \frac{E_p}{K(T_P)}$$

Where:

F = Capacity component adjustment factor.
E_P = kWhs delivered to the Company during the On-Peak Hours defined as:
Summer Period - Monday through Saturday 8 a.m. C.S.T. to 11 p.m. C.S.T.
Winter Period - Monday through Friday 8 a.m. C.S.T. to 11 p.m. C.S.T.
The twenty-four (24) hours of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day will not be included in the On-Peak Hours.
K = kWs of capacity the Qualifying Facility contracts to provide.
T_P = Number of On-Peak Hours.

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

PURCHASE RATES (Continued)

The kW capacity available and the kWhs in the On-Peak Hours shall be determined by a suitable recording type instrument acceptable to the Company.

For intended purchases of 72,000 kWhs or more per month from a Qualifying Facility, the Company and the Qualifying Facility may agree to increase or decrease the rate for Energy purchase in recognition of the following factors:

1. The extent to which scheduled outages of the Qualifying Facility can be usefully coordinated with scheduled outages of the Company's generation facilities; or
2. The relationship of the availability of Energy from the Qualifying Facility to the ability of the Company to avoid costs, particularly as is evidenced by the Company's ability to dispatch the Qualifying Facility; or
3. The usefulness of Energy from the Qualifying Facility during system emergencies, including the ability of the Qualifying Facility to separate its load from its generation.

The Company and Qualifying Facility may negotiate a rate for Energy or capacity purchase which differs from this filed rate.

DETERMINATION OF AMOUNT OF ENERGY PURCHASED

To properly record the number of kWhs, and where applicable, kWs of purchases, the Company and the Qualifying Facility should mutually agree on the metering configuration to be utilized in accordance with 170 IAC 4-4.1 Section 7 (b). The metering facilities shall be installed and will be owned by the Company, and the Qualifying Facility will be required to reimburse the Company for the installed cost of said metering equipment. The Company need not make purchases during the time of a system emergency.

GENERAL TERMS AND CONDITIONS FOR PURCHASE

Contract

Any cogenerator or small power producer requesting service under this Rider shall enter into a written contract for an initial period of not less than one (1) Contract Year.

RIDER 778
PURCHASES FROM COGENERATION FACILITIES
AND SMALL POWER PRODUCTION FACILITIES

Curtailing Purchase

The Company reserves the right to Curtail the purchase at any time when necessary to make emergency repairs. For the purpose of making other than emergency repairs, the Company reserves the right to disconnect the Qualifying Facility's electric system for four (4) consecutive hours on any Sunday, or such other day or days as may be agreed to by the Qualifying Facility and the Company, provided forty-eight (48) hours' notification previous to the hour of cut-off is given the Qualifying Facility of such intention.

Additional Load

The Qualifying Facility shall notify the Company in writing of any substantial additions to or alterations in the equipment supplying electric Energy to the Company and such additions or alterations shall not be connected to the system until such notice shall have been given by the Qualifying Facility and received by the Company.

Discontinuance of Purchase

The Company shall have the right to cut off and discontinue the purchase of electric Energy and remove its metering equipment and other property when there is a violation by the Qualifying Facility of any of the terms or conditions of the contract or this Rider.

Back-up and Maintenance Power

Back-up and maintenance power is electrical Energy and capacity provided by the Company to a Qualified Facility to replace Energy, ordinarily generated by the Qualifying Facility, during a scheduled or unscheduled outage of the Qualifying Facility. Any back-up and maintenance power taken by the Qualified Facility will be billed under the appropriate Rate Schedule.

GENERAL TERMS AND CONDITIONS OF SERVICE - CONTRACT

Any Qualified Facility requesting service under this Rider shall enter into a written contract for an initial period of not less than three (3) Contract Years.

In such contract it shall be proper to include such provisions, if any, as may be agreed upon between the Company and the Qualified Facility with respect to special terms and conditions under which service is to be furnished hereunder, including but not limited to, amount of Contract Demand, voltage to be supplied, and facilities to be provided by each party in accordance with the Company Rules.

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

<u>AFFIDAVIT OF JAMES E STRAETER</u>

James E Straeter, being duly sworn, deposes and states as follows:

1. I am the President of Ag Technologies, Inc in Rochester, IN. We have been installing solar as a part of our business since August of 2012. We have developed a patented system that provides for superior efficiency. We are a family-owned business and Ag Technologies is part of a seven-store farm equipment dealership organization covering North Central Indiana. I sell solar along with two sons and manage sales through other dealers in Indiana, Illinois and Ohio.

2. I have considered pursuing development of solar energy projects in Indiana under the PURPA tariff for Duke Energy Indiana and NIPSCO as well as several REMCs. However, upon reviewing the PURPA tariff for Duke Energy, there did not appear to be any method of obtaining long-term contracts with fixed rates. I was unable to locate a standard contract for NIPSCO's PURPA tariff, too. Due to the apparent inability to obtain long-term, fixed rate contracts, I decided against pursuing plans to develop solar energy projects based on the PURPA tariff.

3. I need the ability to obtain long-term contracts with fixed rates in order to obtain the financing necessary to develop solar projects. Without fixed rate contracts over a sufficient period of time, in my experience, financers will not be willing to take on the risk involved with variable rates and short term contracts. Because financers will not take on the risk, a risk my business cannot take as well, they will not finance possible solar project development.

4. I affirm, under the penalties of perjury, that the representations in the foregoing are true to the best of my knowledge, information and belief.

(signature follows)

Dated: March 23, 2018

James E Straeter
President
Ag Technologies Inc
1268 E 100 S, Rochester, IN 46975
574-224-8324

STATE OF INDIANA
INDIANA UTILITY REGULATORY COMMISSION

AFFIDAVIT OF SAM KLIEWER

Sam Kliewer, being duly sworn, deposes and states as follows:

1. My name is Sam Kliewer. I am a Policy Manager for Cypress Creek Renewables. Cypress Creek Renewables is one of the leading utility scale solar and solar + storage developers in the nation. In my role as a Policy Manager I am a subject matter expert on PURPA avoided costs and energy storage in eastern markets.

2. From early 2016 to early 2018, Cypress Creek negotiated with NIPSCO in an effort to execute a contract under NIPSCO's PURPA Tariff. NIPSCO indicated it could offer contracts over a year in length, but that contract would have a variable avoided cost rate that changed annually based on NIPSCO's annual update to its PURPA Tariff's avoided cost rates. NIPSCO would not agree to a contract with fixed rates longer than a year. The inability to reach an agreement on long-term, fixed rate contract has made it impossible for us to execute an agreement.

3. Long-term, fixed rate contracts are necessary for Cypress Creek to obtain the necessary financing to develop a project. In my experience, long-term, fixed rate contracts provide stability and minimize risk. This stability and minimized risk is necessary before a financer will provide the funds necessary to develop projects. It would be difficult to find any financer willing to provide funds with a contract that does not have fixed rates. In my experience, 15- to 20-year fixed rate contracts provide the stability and minimal risk necessary to attract financing.

4. I affirm, under the penalties of perjury, that the representations in the foregoing are true to the best of my knowledge, information and belief.

(signature follows)

Dated: March 23, 2018

Sam Kliewer
Policy Manager
Cypress Creek Renewables
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Asheville, NC 28801
(828) 233-8159
sam.kliewer@ccrenew.com